

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 H-02 L-03 PA-02
NSC-05 SS-15 STR-07 CEA-01 /112 W
-----079085 222343Z /70

R 221502Z MAY 78

FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC 1338

UNCLAS KINGSTON 4207

E.O. 11652: N/A
TAGS: EFIN, JM
SUBJECT: PRESIDENT OF JAMAICA MANUFACTURERS ASSOCIATION
SUPPORTS IMF AGREEMENT

1. THE PRESIDENT OF THE JAMAICA MANUFACTURERS ASSOCIATION
MR. WINSTON MAHFOOD, CAME OUT IN SUPPORT OF THE GOVERNMENT'S
DECISION TO NEGOTIATE A US\$240 MILLION LOAN WITH THE IMF.

2. SPEAKING AT THE MONTHLY MEETING OF THE MANUFACTURERS
ASSOCIATION ON MAY 17, MR. MAHFOOD CRITICIZED THE RADICAL
LEFT FOR THEIR CONDEMNATION OF THE GOVERNMENT AND FOR PURSING
THEIR POLITICAL OBJECTIVES REGARDLESS OF COST. HE SAID
THAT THE IMF COULD NOT BE BLAMED FOR THE PACKAGE AND THAT
ANY GOVERNMENT WANTING TO BRING ABOUT THE ECONOMY'S RECOVERY
WOULD HAVE TO EMPLOY SIMILAR MEASURES.

3. HOWEVER, HE CRITIZED THE GOVERNMENT FOR FAILING TO
INVOLVE THE PRIVATE SECTOR IN ARRIVING AT A NUMBER OF
DECISIONS IN THE TAX PACKAGE. HE TOOK SPECIFIC ISSUE
WITH THE 10 PERCENT STAMP DUTY THAT APPLIES TO ALL IMPORTS
AND RECOMMENDED THAT IT BE REPLACED BY AN EXCISE DUTY ON
THE FINISHED PRODUCT. HE ALSO SUGGESTED THAT THIS CONSUMPTION
TAX BE APPLIED TO EQUAL MEASURE ON IMPORTS FROM THE CARICOM.

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HE INDICATED THAT THE STAMP DUTY AS PRESENTLY PROPOSED WOULD
MAKE JAMAICAN MANUFACTURERS NON-COMPETITIVE IN THE CARICOM
MARKET.

4. COMMENT: GIVEN THE WIDESPREAD CRITICISM OF THE IMF-GOJ
AGREEMENT, MR. MAHFOOD'S SUPPORT PROVIDES WELCOME RELIEF.
HOWEVER, IT IS SIGNIFICANT THAT EVEN HE OPPOSES SOME OF THE TAX

MEASURES, PARTICULARLY THOSE THAT AFFECT THE PRICE OF EXPORTS.
WE UNDERSTAND THAT IMPLEMENTATION OF SOME OF THE MOST CONTRO-
VERSIAL TAX MEASURES MAY BE DELAYED PENDING FURTHER STUDY.
HAVERKAMP

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE ORGANIZATIONS, FINANCIAL AGREEMENTS, LOAN AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 may 1978
Decapton Date: 01 jan 1960
Decapton Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KINGST04207
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780216-0101
Format: TEL
From: KINGSTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780534/aaaabcij.tel
Line Count: 66
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 57bf8a99-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2618440
Secure: OPEN
Status: NATIVE
Subject: PRESIDENT OF JAMAICA MANUFACTURERS ASSOCIATION SUPPORTS IMF AGREEMENT
TAGS: EFIN, JM, IMF, JAMAICA MANUFACTURERS ASSOCIATION, (MAHFOOD, WINSTON)
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/57bf8a99-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014